

Message Text

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PAGE 01 USUN N 00291 302112Z
ACTION IO-14

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C O N F I D E N T I A L USUN 0291

E.O. 11652: GDS
TAGS: AORG, LAID, UNDP, UR
SUBJ: UNITED NATIONS DEVELOPMENT PROGRAM (UNDP)

1. IN FOLLOW-UP TO ADMINISTRATOR MORSE'S ANNOUNCEMENT OF
UNDP-USSR MEETING THIS MARCH IN GENEVA ON PROBLEM OF UNDP'S
HOLDINGS OF NON-CONVERTIBLE RUBLES, WE LEARNED FROM SENIOR
UNDP STAFF THAT PRINCIPAL UNDP PROPOSALS TO SOVIETS WILL
INCLUDE:

- A) SWAPPING RUBLES FOR OTHER EAST EUROPEAN CURRENCIES
UNDP COULD USE;
- B) IDENTIFYING THIRD WORLD CURRENCIES USSR REPORTEDLY
IS HOLDING IN EXCESS TO ITS NEEDS TO SEE IF THEY COULD
USEFULLY BE DRAWN DOWN BY UNDP IN LIEU OF RUBLES;
- C) MORE EFFECTIVE IMPLEMENTATION OF THE EXISTING AGREE-
MENT WITH AEROFLOT PERMITTING UNDP PAYMENT OF 50 PERCENT OF
TRANSPORT COST IN NON-CONVERTIBLE RUBLES;
- D) MORE EFFECTIVE IMPLEMENTATION OF THE EXISTING
AGREEMENT WITH USSR REQUIRING SOVIET EXPERTS TO ACCEPT PAY-
MENT OF 25 PERCENT OF THEIR SALARIES IN NON-CONVERTIBLE RUBLES.
SOVIETS HAVE ASSURED UNDP THAT ALL THEIR EXPERTS WILL BE
CONFIDENTIAL

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PAGE 02 USUN N 00291 302112Z

IN COMPLIANCE WITH THIS AGREEMENT WITHIN NEXT FEW MONTHS.
ASSISTANT ADMINISTRATOR OLVER, IN CREDITING MORRIS (IO/DHP)
WITH THE INITIATIVE WHICH LED TO THIS AGREEMENT, EXPRESSED
THE HOPE TO MISOFF THAT SOVIETS IN MARCH MIGHT AGREE TO CON-
SIDER EXTENDING THIS RUBLE PAYMENT REQUIREMENT TO SOVIET
STAFF MEMBERS OF UNDP AND EXECUTING AGENCIES;
E) EXAMINING WAYS TO REDUCE THE INORDINATE EXPENSES

PRESENTLY ASSOCIATED WITH SEMINARS HELD IN USSR AND TO IMPROVE THEIR QUALITY.

2. ASSUMPTION OF UNDP STAFF IS THAT SOVIETS' MAIN INTEREST IN AGREEING TO ADMINISTRATOR MORSE'S PROPOSAL FOR A MARCH MEETING WAS TO PRESSURE UNDP (AND MANY OF THE EXECUTING AGENCIES WHO ARE EXPECTED TO ATTEND THE MEETING) TO MORE ACTIVELY SEEK OUT OPPORTUNITIES TO UTILIZE SOVIET GOODS AND SERVICES IN PROJECTS. IN THIS REGARD, UNDP AND AGENCY STAFF HAVE DEMONSTRATED FULL UNDERSTANDING IN CONVERSATIONS WITH MISOFF THAT ANY ARRANGEMENTS REACHED WITH SOVIETS MUST BE ON A NON-PREFERENTIAL BASIS. STAFF ALSO NOTE THAT SOVIET RUBLE ACCUMULATION PROBLEM CANNOT BE SIGNIFICANTLY ALLEVIATED MERELY IN CONTEXT OF UNDERSTANDINGS WITH UNDP AND AGENCIES BUT RATHER MUST ALSO TAKE ACCOUNT OF THE INCREASING DEGREE OF CONTROL OVER PROGRAM IMPLEMENTATION EXERCISED BY RECIPIENT GOVERNMENTS THEMSELVES, WHO GENERALLY PREFER PROCUREMENT OUTSIDE OF SOVIET UNION.

3. FYI. DURING COURSE OF PREPARATORY MEETING IN MOSCOW WITH OLVER LAST DECEMBER, SOVIET REPS RAISED MATTER OF US STANDING OFFER TO BUY THE ACCUMULATED RUBLES FOR US USES IN USSR. THE REPS WENT ON TO SAY THAT USSR COULD NOT ACCEPT THE OFFER BECAUSE THE RUBLES WERE CONTRIBUTED TO UNDP FOR DEVELOPMENT ASSISTANCE PURPOSES AND NOT FOR US USES; AND, APPARENTLY FACETIOUSLY, BECAUSE US WOULD MERELY USE THE RUBLES

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PAGE 03 USUN N 00291 302112Z

TO EXPAND THEIR BASE OF OPERATIONS IN THE SOVIET UNION, INCLUDING THAT OF CIA. END FYI.

4. COMMENT: UNDP STAFF IS MODERATELY OPTIMISTIC THAT MARCH MEETING WILL IN FACT LEAD TO SOMEWHAT MORE RAPID UTILIZATION OF RUBLE HOLDINGS ON A NON-PREFERENTIAL BASIS. THIS VIEW IS BASED IN PART ON SERIOUSNESS WITH WHICH SOVIETS ARE APPROACHING THE MEETING, INCLUDING DESIGNATION OF TECHNICAL EXPERTS TO REPRESENT IT, SUCH AS AEROFLOT'S BUSINESS MANAGER. MOREOVER, SOVIETS ARE SHOWING INCREASING SENSITIVITY TO PRESS AND OTHER CRITICISMS OF ITS TIED CONTRIBUTIONS TO UNDP. THIS SENSITIVITY IS DEMONSTRATED BY USUSUAL ACT BY SOVIET MISSION HERE OF ISSUING LENGTHY PRESS RELEASE ON THE SUBJECT OF "THE USE OF THE SOVIET CONTRIBUTION TO THE UNDP." (COPIES POUCHED TO IO/DHP AND IIA/UNP). FINALLY, WE UNDERSTAND THAT SOVIETS ARE ASSIGNING THE EQUIVALENT OF A COMMERCIAL COUNSELLOR TO THEIR UN MISSION IN NEW YORK TO ACCELERATE PROCUREMENT ACTIONS WITH UNDP, UN AND EXECUTING AGENCIES.

LEONARD

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